

# Section 8 Housing Choice Voucher Program: Issues and Reform Proposals

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## Summary

The Section 8 Housing Choice Voucher program provides monthly rental assistance to around 2 million low-income households each year and is the largest (both in terms of people served and annual cost). It is administered at the local level by nearly 2,500 quasi-governmental public housing agencies (PHAs). While some form of Section 8 rental assistance has been in place since the mid-1970s, the modern program was shaped largely by the 1998 public housing reform act (P.L. 105-276). More than a decade later, the Section 8 voucher program has come under new scrutiny, with PHA industry leaders, low-income housing advocates, and some Members of Congress calling for reforms. This report introduces the primary features of the Section 8 voucher program, issues that have arisen, and recent reform proposals.

Many of the key features of the program have been considered for reform, including its administration; eligible uses of program funds; the method by which tenant income is determined and rents are calculated; who is eligible and what conditions are placed on receipt of assistance; and other features of the program such as portability and quality inspections. Some reform proposals have focused on changing aspects of the program seen as administratively cumbersome and prone to errors. Other proposals have focused on altering the incentives in the program in order to promote policy goals such as homeownership, mobility and family self-sufficiency.

Issues have also arisen regarding how the Section 8 voucher program is funded, how changes in formula allocations have affected PHAs, and the cost of the program. Partly in response to funding issues, and partly in response to programmatic issues, there have been calls for deregulation of PHAs through expansion of the Moving to Work (MTW) Demonstration.

Section 8 voucher reform legislation has been considered in every Congress since at least the 108<sup>th</sup> Congress. One version of this reform legislation, called the Section 8 Voucher Reform Act (SEVRA), was introduced and considered in both the 110<sup>th</sup> and 111<sup>th</sup> Congresses (H.R. 1851 and S. 2684, 110<sup>th</sup> Congress; H.R. 3045, 111<sup>th</sup> Congress). These bills—which were largely similar, but with some changes—would have made modifications to several features of the Section 8 voucher program, including how income is calculated, how inspections are conducted, and how portability is treated, and they would have adopted a new funding formula. They also would have renamed, expanded, and modified the MTW Demonstration and permitted PHAs to implement alternate rent structures, within limits. A version of SEVRA that is very similar to H.R. 3045 was introduced in the 112<sup>th</sup> Congress (H.R. 1209) by Representative Waters. However, instead of taking up SEVRA, the House Financial Services Committee held hearings on new draft Section 8 voucher reform legislation, initially called the Section 8 Savings Act (SESA) and then titled the Affordable Housing and Self Sufficiency Improvement Act (AHSSIA). This draft legislation contained many of the same or similar provisions that have been included in SEVRA, including an expansion of a modified version of MTW. The draft AHSSIA was marked-up in subcommittee, but was not considered in full committee. Reform legislation has not been introduced in the 113<sup>th</sup> Congress.

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## Introduction

The Section 8 Housing Choice Voucher program provides monthly rental assistance to around 2 million low-income households each year. It is administered at the local level by quasi-governmental public housing agencies (PHAs). While some form of Section 8 rental assistance has been in place since the mid-1970s, the modern program was shaped largely by the 1998 assisted housing reform act (P.L. 105-276). More than a decade later, the Section 8 Housing Choice Voucher program has come under new scrutiny, with PHA industry leaders, low-income housing advocates, both the Bush and Obama Administrations, and some Members of Congress calling for reforms. Further, recent efforts to reduce domestic discretionary spending have resulted in constraints in funding for the program, which has intensified PHAs' calls for cost-saving administrative reforms. This report introduces the primary features of the Section 8 Housing Choice Voucher program, issues that have arisen, and recent reform proposals.

## Current Program Features and Issues

### Note to Reader: Recent Legislative Changes

The FY2014 Consolidated Appropriations Act (P.L. 113-76) included several legislative provisions that affect the Section 8 voucher program as well as other assisted housing programs. Several of these changes had been included in prior assisted housing reform legislation. They are summarized below; however, the remainder of this report does not reflect these changes. This report will be updated once the new policies are fully implemented by HUD.

From Division L, Title 2 of P.L. 113-76

- Section 220: Modification of Section 8 Housing Choice Voucher inspection requirements

*PHAs are required to inspect units that are to receive Section 8 Housing Choice Voucher subsidy payments prior to approval of a family's tenancy and annually thereafter. The inspections are to ensure that the property meets standards set out in statute. Section 220 alters this requirement to require ongoing inspections happen no less frequently than biennially and it also allows inspections undertaken pursuant to other state, local, or federal housing program standards to fulfill the Section 8 voucher inspection requirements, as long as the administering PHA attests that the alternate standards provide at least as much protection as the Section 8 voucher program standards. It also adds a provision to allow for interim inspections, to take place at the request of a tenant, within 24 hours in the case of a life-threatening condition, or within a reasonable time period for all other conditions. The changes are to take effect upon a date set at the Secretary's discretion through either notice or rulemaking.*

- Section 238: Redefinition of "extremely low-income"

*Currently, the term "extremely low-income" (ELI), which is used for eligibility and targeting provisions in various federal housing assistance programs, is defined as income no greater than 30% of local area median income. This provision expands the definition such that the term is defined as income that is no more than the greater of 30% of local area median income or the federal poverty level. This effectively sets the federal poverty level as a national floor for the definition of ELI, meaning anyone who has income at or below the federal poverty level will be considered extremely low-income. This provision was included in earlier assisted housing reform legislation. HUD is to establish the requirements of this new policy by notice, then commence rulemaking within six months of the issuance of the notice.*

- Section 242: Modification of utility allowance for Section 8 voucher holders

*Section 8 voucher holders whose utilities are not included in their rent are provided with a utility allowance to help offset their utility costs. Currently, utility allowances are based on the size of the unit occupied by the family, not the size of the family. Section 242 would base a family's utility allowance on a family's size, rather than a unit size. This policy will reduce utility allowance payments for families that are renting dwelling units with more bedrooms than is necessitated by their family size. PHAs must approve a higher utility allowance amount as a reasonable accommodation for a person with a disability. HUD is to establish the requirements of this new policy by notice, then commence rulemaking within six months of the issuance of the notice.*

## Administration

The current Section 8 Housing Choice Voucher program and its approximately 2 million vouchers are administered by more than 2,500 local PHAs across the country. PHAs vary greatly in their size, jurisdiction, and capacity. Some administer as few as 10 vouchers, while one PHA, the New York City Housing Authority, administers almost 90,000. Roughly half of all PHAs administer 250 or fewer vouchers.<sup>1</sup> Some PHAs have jurisdiction over all rural areas of a state or an entire county or city, while others have jurisdiction over only part of a city or county. Some PHAs have a full-time director and a large staff; others have one person serving part-time as both the director and sole staff.

This heterogeneity has been criticized at times by some researchers and housing advocates. They have argued that housing markets are regional, and thus housing programs should be administered on a regional level.<sup>2</sup> Most other social service programs serving low-income families—such as Temporary Assistance for Needy Families, child care assistance, and the Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamps)—are administered at the state level. If the voucher program were administered at the state level, it is argued, it might be easier to coordinate it with other social services. A recent Government Accountability Office (GAO) report suggested that consolidated administration of the voucher program could increase efficiency; however, it could also result in reduced local control over the program.<sup>3</sup>

The organizations representing PHAs have generally argued in favor of the current locally driven and focused system. Local PHAs have important local connections with entities ranging from landlords to zoning boards, connections that states, they contend, would not have.<sup>4</sup> Furthermore, PHAs have the most experience in administering federal housing assistance for the poor, both through the voucher program and the federal public housing program.

HUD has taken some steps to encourage consolidation of PHAs. For example, the department has provided guidance to PHAs on how to voluntarily transfer their voucher programs to another PHA.<sup>5</sup>

## Local Discretion

Many of the features of the program (described throughout this report) are set by federal statutes and regulations, such as the general eligibility requirements, maximum subsidy levels, minimum tenant contributions towards rent, and basic housing quality standards. However, PHAs are given discretion in some areas, such as managing and prioritizing their waiting lists for assistance and screening tenants for suitability. PHAs must describe their programs and how they are using their local discretion in five-year and annual PHA plans, as well as in administrative plans. All of these plans must be developed with public input and made available for public review. (For more

<sup>1</sup> Based on CRS analysis of HUD Public and Indian Housing Information Center data as of April 30, 2009.

<sup>2</sup> Margery Turner and Bruce Katz, “Who Should Run the Housing Choice Voucher Program: A Reform Proposal,” *Housing Policy Debate*, Vol. 12, Issue 2, 2001. HUD, in the Bush Administration, made similar arguments when advocating for the Housing Assistance for Needy Families Act of 2003, which would have transferred administration of the voucher program from PHAs to states.

<sup>3</sup> U.S. Government Accountability Office (GAO), *Housing Choice Vouchers: Options Exist to Increase Program Efficiencies*, GAO-12-2003, March 19, 2012, <http://www.gao.gov/products/GAO-12-300>.

<sup>4</sup> For example, see National Association of Housing and Redevelopment Officials (NAHRO), NAHRO Direct News: Section 8, May 29, 2003, attachment C.

<sup>5</sup> HUD PIH Notice 2007-6 (HA), *Process for Public Housing Agency Voluntary Transfers of Housing Choice Vouchers, Project-Based Vouchers and Project-Based Certificates*, issued March 7, 2007.

information about PHAs' discretionary authority, see CRS Report R42481, *The Use of Discretionary Authority in the Housing Choice Voucher Program: A CRS Study*, by Maggie McCarty.)

## Eligible Uses of Funds

Today's voucher program provides a federally defined subsidy, called a voucher, which a family can use to help pay its housing costs in the private market. That voucher pays roughly the difference between a unit's rent and the tenant's contribution towards the rent.<sup>6</sup> The bulk of voucher funds provided by HUD to PHAs is used to renew existing, previously funded and authorized vouchers. New vouchers are called incremental vouchers. No funds had been provided for new, general purpose incremental vouchers since 2002;<sup>7</sup> however, the appropriations acts since FY2008 have all provided funding for incremental vouchers for targeted populations, including homeless veterans and families in the child welfare system.

In addition to receiving funding for the rent subsidies themselves, PHAs receive funding for the cost of administering the program. PHAs earn administrative fees on a per-voucher basis.<sup>8</sup> They can use their administrative fee funding to cover the cost of administering the voucher program, and for other purposes, such as providing supportive services, downpayment or security deposit assistance, or housing search assistance.

The voucher program is governed by hundreds of pages of regulations and guidance that make it, some argue, costly, overly prescriptive, and difficult to administer. Past reform initiatives have proposed to convert the current program into something more akin to a block grant, redefining the concept of a voucher by instead providing funds that PHAs could use for rental assistance, homeownership assistance, and/or supportive services, as defined by the grantee.<sup>9</sup> A "voucher" would no longer have uniform meaning, and PHAs could provide more or less generous assistance to families at their discretion, outside of some, if not all, current federal rules. Such a reform would be consistent with the 1996 welfare reform law that abolished the Aid to Families with Dependent Children (AFDC) program and replaced it with the broader-purpose Temporary Assistance for Needy Families (TANF) block grant.<sup>10</sup>

The concept of block-granting the voucher program raises concerns among low-income housing advocates, who argue that block granting could lead to funding cuts, that block grants can lead to

<sup>6</sup> The actual calculation of the value of a voucher is more complicated than presented here. See later discussions under the headings "Rent Structure" and "Calculation of Income."

<sup>7</sup> Although no new vouchers (often referred to as incremental vouchers) had been funded since 2002, Congress has funded new tenant protection vouchers every year. Tenant protection vouchers are provided to families that had been receiving other forms of housing assistance, but are losing that assistance through no fault of their own (such as when public housing is demolished or when the long-term contract on a project-based Section 8 property expires). While the addition of new tenant protection vouchers does increase the number of families receiving vouchers, it does not necessarily increase the number of families receiving housing assistance, since the families that receive them had been previously assisted through another program.

<sup>8</sup> The statutory formula can be found at 42 U.S.C. 1437f(q); however, since FY2008, Congress has specified an alternate formula in the annual appropriations acts, based on the formula in place prior to enactment of the 1998 reform law (P.L. 105-276).

<sup>9</sup> For example, in 2003, the Bush Administration introduced such a reform, termed Housing Assistance for Needy Families (HANF). The legislation was introduced in the House and Senate, but no further action was taken in the 108<sup>th</sup> Congress (H.R. 1841/S. 947).

<sup>10</sup> For more reading on the merits and drawbacks of various voucher block grant ideas, see Housing Policy Debate, vol. 14, issue 3, 2003.

less federal oversight and less transparency about how funds are being spent, and that existing rules and regulations are necessary to protect tenants.

To some degree, the Moving to Work (MTW) Demonstration (discussed later in this report) has allowed some PHAs to receive their federal housing assistance funding (Section 8 and public housing) in block grant form. MTW has been popular with participating PHAs, who feel that the added flexibility allows them to innovate and run more efficient programs. Low-income housing advocates have criticized MTW for lacking transparency and clear program objectives and for allowing PHAs to adopt proposals—such as time limits and work requirements for recipients—that they argue are detrimental for assisted families. (For more information about MTW, see CRS Report R42562, *Moving to Work (MTW): Housing Assistance Demonstration Program*, by Maggie McCarty.)

## Homeownership Vouchers

In some cases, families can use their vouchers to help pay the monthly costs of a mortgage,<sup>11</sup> but only if their local PHA chooses to run a homeownership voucher program.<sup>12</sup> There has been debate about how much of the voucher program should, and can realistically, be focused on promoting homeownership. The George W. Bush Administration made a priority of increasing the number of first-time homebuyers making purchases with homeownership vouchers. Successful homeownership can help lower-income families build assets and wealth, which can help their long-term financial security. However, the voucher homeownership program has minimum requirements that many families currently served by the rental voucher program may be unable to meet (minimum income standards, employment requirements). Furthermore, some voucher families, particularly those in low-wage and/or volatile employment markets may not have the financial stability necessary to successfully maintain homeownership. Given the recent turmoil in the housing market, the immediate future growth of the voucher homeownership option is uncertain. After a peak of nearly 2,800 closings in FY2004, the number of closings has averaged around 1,700 per year through the end of FY2010, and around 1,100 closings in FY2011 and FY2012.<sup>13</sup>

## Rent Structure<sup>14</sup>

Under the current rules of the voucher program, families pay an income-based rent.<sup>15</sup> Specifically, families are required to pay 30% of their adjusted incomes toward rent, although they may choose to pay more.<sup>16</sup> Given this income-based rent structure, as tenants' incomes increase, the amount

<sup>11</sup> Congress also provided authorization for PHAs to use voucher funding for downpayment assistance in lieu of monthly mortgage contributions; however, HUD has never implemented the downpayment program because the authorizing statute has been interpreted as requiring appropriations specifically for this purpose, which Congress has not provided (see 24 C.F.R. 982.643).

<sup>12</sup> According to HUD, over 960 PHAs have participated in nearly 21,000 closings in the voucher homeownership program, FSS and MTW; [http://portal.hud.gov/hudportal/documents/huddoc?id=publiclist\\_vhosites.xls](http://portal.hud.gov/hudportal/documents/huddoc?id=publiclist_vhosites.xls).

<sup>13</sup> These figures only include regular homeownership vouchers, not homeownership closings through FSS and or MTW, although even if these homeownership options were included, the trend would be the same: [http://portal.hud.gov/hudportal/documents/huddoc?id=publiclist\\_vhosites.xls](http://portal.hud.gov/hudportal/documents/huddoc?id=publiclist_vhosites.xls).

<sup>14</sup> For more information about rent policies, see CRS Report R42734, *Income Eligibility and Rent in HUD Rental Assistance Programs: Responses to Frequently Asked Questions*, by Libby Perl and Maggie McCarty.

<sup>15</sup> Income-based rents are used in the majority of HUD rental assistance programs, including public housing, project-based Section 8, Housing for the Elderly, and Housing for the Disabled.

<sup>16</sup> The formula is actually more complicated. Families must pay the higher of 30% of adjusted income, 10% of gross



they are required to pay in rent increases, and as their incomes decrease, the amount they are required to pay in rent decreases.

The current income-based rent structure used in the voucher program—and most other HUD rent-assistance programs—is based on the concept of affordability. It is generally accepted that housing is affordable for low-income families if it costs no more than 30% of their adjusted gross income, on the assumption that low-income families need the full remaining 70% to meet other needs. However, this figure may be considered somewhat arbitrary. For some families with few costs for work, transportation, medical, child care, or other needs, 40% or even 50% of income might be a reasonable contribution toward housing costs. In fact, the current voucher program allows families to choose to pay up to 40% of their incomes toward housing costs initially, and even greater amounts upon renewal of a lease. For other families, with high expenses for work, transportation, medical, child care, or other outside costs, some percentage lower than 30% might be the most reasonable, or “affordable,” contribution. In fact, in the early years of the rent assistance program, the standard was set lower, at 25% of family income.<sup>17</sup>

Critics of the current rent calculation, including the former George W. Bush Administration<sup>18</sup> and some PHA industry groups,<sup>19</sup> have argued that PHAs should have the flexibility to modify the existing income-based rent system or adopt new systems partially or fully decoupled from income, such as flat or tiered rents. Under flat rents, families would pay a PHA-determined, fixed, below-market rent, based on unit size, regardless of their incomes. As income changed, rent would stay the same. Current law permits PHAs to set voluntary flat rents for public housing. Families are permitted to choose to pay flat rents, but must be permitted to switch back to income-based rents.

Under tiered rents, PHAs could set different flat rents for broad tiers of income. Families would pay the rent charged for their income tier, and only fluctuations in income that move them from one tier to another would change their rent. If PHAs set rent tiers very low, then fewer tenants would face an increase in rent, but PHAs could face higher voucher costs. If the tiers were set higher, then more tenants would face rent increases, but PHAs would see reduced voucher costs.

Shallower subsidies under flat or tiered rents would allow PHAs either to save money or serve more people with the same amount of money, depending on the authority provided by HUD and Congress. However, shallower subsidies would also result in greater cost-burdens for the lowest-income families.

Many PHAs that have been given the choice to adopt alternative rent structures—those participating in the Moving to Work demonstration—have made that choice. According to data from HUD, nearly half of MTW PHAs have adopted flat or tiered rents.<sup>20</sup>

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income, the amount of welfare benefits designated for housing costs, or PHA minimum rents (which can be no higher than \$50 a month).

<sup>17</sup> For a review of the history of the affordability standard, as well as a discussion of pros and cons of the current standard, see Danilo Pelletiere, *Getting to the Heart of Housing’s Fundamental Question: How Much Can a Family Afford?*, National Low Income Housing Coalition, Washington, DC, February 2008, [http://nlihc.org/sites/default/files/AffordabilityResearchNote\\_2-19-08.pdf](http://nlihc.org/sites/default/files/AffordabilityResearchNote_2-19-08.pdf).

<sup>18</sup> HUD, *The Flexible Voucher Program: Why A New Approach to Housing Subsidy Is Needed: A White Paper*, May 18, 2004, available at <http://www.hud.gov/offices/pih/programs/hcv/fvp/wpofvp.pdf>.

<sup>19</sup> Public Housing Authorities Directors Association (PHADA), *Rent Reform: Fair and Simple Solutions*, 2005, available at <http://www.phada.org/pdf/rentreform.pdf>.

<sup>20</sup> See Table 3 of CRS Report R42562, *Moving to Work (MTW): Housing Assistance Demonstration Program*, by Maggie McCarty.



Another argument in favor of moving away from an income-based rent structure concerns administrative ease. The current complicated rent calculation, paired with the difficulty of verifying the incomes of tenants, has led to high levels of error in the subsidy calculation. According to a HUD 2001 Quality Control study looking at data from 2000, over 60% of all rent and subsidy calculations contained some type of error. The report estimated the errors resulted in \$1 billion in subsidy over- and under-payments.<sup>21</sup> These errors led the Government Accountability Office (GAO) to designate the Section 8 program as a “high risk” program, meaning that it was particularly susceptible to waste, fraud, and abuse.

HUD has undertaken a number of initiatives to try to reduce errors. Beginning with the FY2003 Consolidated Appropriations Act (P.L. 108-7), HUD was given access to the National Directory of New Hires, a database that may allow PHAs to better verify income data. HUD has also implemented the Enterprise Income Verification system, a fraud-detection tool that makes income and wage data available to PHAs. It appears these efforts have resulted in some improvement. The FY2009 Quality Control study found a 60% reduction in erroneous payments from 2000, down to \$440 million, but up from \$400 million the prior year. About 42% of subsidies were erroneously calculated, down from 60% in 2000, but up from 39% in FY2008.<sup>22</sup> In 2007, GAO removed the rental assistance program from its high risk series.

Adopting flat or tiered rents could substantially reduce—if not eliminate—errors in rent calculations.

A flat rent structure may also help reduce the work disincentives inherent in the current calculation. Since rent goes up as income goes up, families face an effective 30% tax on any increase in earnings and therefore they may have a disincentive to increase earnings and/or an incentive to under-report income. To help address this problem in the public housing program, Congress has instituted a mandatory earned income disregard that applies to new earnings for some families; however, no such mandatory disregard exists in the voucher program, except in the case of certain recipients who have disabilities.<sup>23</sup> If PHAs administering the voucher program choose to voluntarily disregard increased earnings, they will not receive funding to cover the increased subsidy costs, or they may face sanctions from HUD for not accurately calculating subsidies. Under flat or tiered rents, families can generally increase their earnings without facing changes in their rents.

Low-income housing advocates generally agree that the current rent-setting system is overly complicated, but still support income-based rents over flat rents. Flat rents are not as responsive to changes in family income as income-based rents, and their adoption could result in some families paying more toward rent than is generally considered affordable (30% of income). They argue that changes to the method of calculating income could do much to simplify the rent-setting process.<sup>24</sup>

<sup>21</sup> ORC Macro, *Quality Control for Rental Assistance Subsidy Determinations*, U.S. Department of Housing and Urban Development Office of Policy Development and Research, Washington, DC, June 1, 2001; <http://www.huduser.org/Publications/pdf/qualitycontrol.pdf>.

<sup>22</sup> Macro International, *Quality Control for Rental Assistance Subsidy Determinations: Final Report for FY 2009*, U.S. Department of Housing and Urban Development Office of Policy Development and Research, Washington, DC, October 16, 2009; [http://www.huduser.org/Publications/pdf/QC\\_2009.pdf](http://www.huduser.org/Publications/pdf/QC_2009.pdf).

<sup>23</sup> For more information, see the National Housing Law Project’s Earned Income Disregard Packet for Public Housing Voucher Program and Other HUD Programs, available at [http://www.nhlp.org/html/pubhsg/eid\\_packet.htm](http://www.nhlp.org/html/pubhsg/eid_packet.htm).

<sup>24</sup> See National Low Income Housing Coalition, *Rent Reform*, Memo to Members: Vol 10, No. 24, June 17, 2005, and Center on Budget and Policy Priorities, *Rent Changes in Housing Bill Will Help Many Tenants*, August 1, 2006.

## Calculation of Income<sup>25</sup>

Eligibility for a voucher is based on a family's annual gross income, and the amount of rent a family must pay is based on a family's annual *adjusted* income. The current system for calculating income, as noted earlier in relation to rents, has been criticized as cumbersome and prone to errors.

Annual income, which is used for determining eligibility and is the basis for determining adjusted income for rent-setting purposes, is defined as all amounts that are anticipated to be received by all members of a household during the subsequent 12-month period, with some exclusions (such as foster care payments).<sup>26</sup> Anticipating low-income families' future incomes can be difficult, as their employment is often variable. The composition of a family may also be variable, with members joining or leaving the household over the course of a year. Further, PHAs are expected to verify families' incomes using third-party sources.<sup>27</sup> While this process helps to ensure accuracy, it can be time-consuming for PHAs.

Once the total amount of a family's income has been determined, adjusted income is calculated for rent-setting purposes by applying various deductions. From total annual income, the family may qualify to have certain amounts deducted, such as \$480 per dependent; \$400 for elderly and disabled households; and reasonable child care expenses, disability expenses, and certain medical expenses of the elderly or disabled.<sup>28</sup>

The complexity of the income determination system is a factor driving errors in rent determination. Many of the requirements are statutory, so changes would require congressional action. Some of the current requirements are regulatory, rather than statutory, and PHA groups have called on HUD to simplify the process. In the past, HUD has stated that it is looking at ways to improve the income calculation process,<sup>29</sup> although no major administrative changes have been made.

## Eligibility<sup>30</sup>

The current voucher program sets initial eligibility for assistance at the very low-income level (50% or below of local area median income (AMI)),<sup>31</sup> with a requirement that 75% of all vouchers be targeted to extremely low-income families (30% or below local AMI).<sup>32</sup> The targeting requirement was enacted as a part of the 1998 assisted housing reform law (P.L. 105-276) and was designed to ensure that the neediest families received assistance.

<sup>25</sup> For more information about the income calculation process, see CRS Report R42734, *Income Eligibility and Rent in HUD Rental Assistance Programs: Responses to Frequently Asked Questions*, by Libby Perl and Maggie McCarty.

<sup>26</sup> Summarized from 24 C.F.R. 5.609.

<sup>27</sup> See 24 C.F.R. 982.516 (a).

<sup>28</sup> See 24 C.F.R. 5.611 for a list of deductions.

<sup>29</sup> See Government Accountability Office (GAO), *Progress and Challenges in Measuring and Reducing Improper Rent Subsidies*, GAO-05-224, Chapter 5.

<sup>30</sup> For more information about eligibility requirements, see CRS Report R42734, *Income Eligibility and Rent in HUD Rental Assistance Programs: Responses to Frequently Asked Questions*, by Libby Perl and Maggie McCarty.

<sup>31</sup> In some cases, families with incomes up to 80% of AMI are eligible for vouchers. Examples include previously assisted families who are receiving a voucher as a result of being displaced from other assisted housing, families using their voucher to purchase a home, or families meeting other criteria established by the PHA. See 24 C.F.R. 1437f(o)(4).

<sup>32</sup> For example, 50% of AMI for a three person family in Missoula, MT was \$24,550, and 30% was \$14,750 in 2007. Fifty percent of AMI in San Francisco, CA was \$50,900, and 30% was \$30,550 in 2007.

Serving lower income families results in higher costs per voucher. In a limited funding environment, the higher the per voucher cost, the fewer the number of families that can be served. The difficult tradeoff between serving more families with less generous subsidies or serving fewer families with more generous subsidies can be found in most social programs and lies at the center of many of the voucher reform debates.

The George W. Bush Administration advocated loosening current targeting standards in an attempt to either serve more families or reduce the cost of the program.<sup>33</sup> Low-income housing advocates have generally supported retaining current income eligibility and targeting requirements, arguing that the lowest-income households face the heaviest rent burdens and are the most in need of assistance.

### How Many Families “Need” a Voucher?

The question of how many families “need” a voucher is commonly raised, but difficult to answer. The answer depends, in part on how “need” is defined. According to HUD, the voucher program is designed to allow “very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market.”<sup>34</sup> Using this program purpose as a starting point, one way to identify “need” is to identify those very low-income families who cannot afford decent, safe, and sanitary housing in the private market.

HUD attempts to identify these families in its periodic report to Congress on “worst-case” housing needs. HUD defines families with worst-case housing needs as unassisted renters with very low incomes who have one of two “priority problems:” either paying more than half of their income for housing (“severe rent burden”), or living in severely inadequate housing. In HUD’s most recent report to Congress (released in 2013, using 2011 data), the agency identified 8.5 million families with worst-case housing needs—a record high number and a 19% increase from two years prior.<sup>35</sup> Presumably, all of these families would be eligible for a voucher, and receipt of a voucher would alleviate their housing problems.

There are limits to using the estimate of families with worst-case housing needs to identify voucher “need.” First, these families’ housing problems could be addressed by programs other than the voucher program. The public housing program, housing programs for the elderly or disabled, block grant or tax-credit funded affordable housing programs, and even income-supplement programs, all provide families with assistance that could alleviate worst-case housing needs. Further, not every family who is identified as having a worst-case housing need may identify themselves as having a “need” for a voucher. One way to try to estimate *demand* for vouchers would be to look at PHA waiting lists for vouchers. However, these data are not consistent across PHAs or centrally collected and maintained. Finally, the worst case housing needs estimate includes only those very low-income families with priority housing problems. However, having priority housing problems is not an eligibility criterion for receiving a voucher. According to the most recent worst-case housing needs report, an additional nearly 11 million families were very low-income but did not have priority problems. These families are likely eligible for a voucher, and some may identify themselves as “needing” a voucher, but they are not included in the estimate of the 8.5 million families with worst-case housing needs cited earlier.

## Work Requirements and Time Limits

The voucher program does not currently have time limits or work requirements for applicants or recipients.<sup>36</sup> Families that receive voucher assistance can retain that assistance until they choose

<sup>33</sup> HUD, *The Flexible Voucher Program: Why A New Approach to Housing Subsidy Is Needed: A White Paper*, May 18, 2004, available at <http://www.hud.gov/offices/pih/programs/hcv/fvp/wponfvp.pdf>.

<sup>34</sup> [http://www.hud.gov/offices/pih/programs/hcv/about/fact\\_sheet.cfm](http://www.hud.gov/offices/pih/programs/hcv/about/fact_sheet.cfm).

<sup>35</sup> Department of Housing and Urban Development, *Worst Case Housing Needs 2011: A Summary Report to Congress*, August 2013; [http://www.huduser.org/Publications/pdf/HUD-506\\_WorstCase2011\\_reportv3.pdf](http://www.huduser.org/Publications/pdf/HUD-506_WorstCase2011_reportv3.pdf).

<sup>36</sup> An exception is that some Moving to Work (MTW) Demonstration program agencies have adopted time limit and

to leave the program; they are forced to leave the program (due to non-compliance with program rules or insufficient funding); or their incomes rise to the point that 30% of their incomes equal their housing costs, at which point their subsidy is zero. The public housing program does have a mandatory eight-hour per month work or community service requirement for non-elderly, non-disabled tenants; however, many public housing residents are exempted.<sup>37</sup>

Some have advocated setting time limits for receipt of voucher assistance and making work a requirement for ongoing eligibility. They argue that under the current system, families have no incentive to increase their incomes or work efforts and leave the program.<sup>38</sup> Adopting a work requirement in the voucher program may help encourage non-elderly, non-disabled households that are not currently working to go to work. Time limits and, particularly work requirements, have been at least partly credited with decreasing the size of the cash assistance caseload in the Temporary Assistance for Needy Families (TANF) program.<sup>39</sup>

Another reason to consider time limits relates to the fact that many communities have long waiting lists for assistance. Since few new vouchers have been funded in recent years, turnover in the current program is the primary way to serve those families on the waiting lists.

There is some evidence that families with children, those most likely to be affected by work requirements and time limits, already leave the program relatively quickly. According to HUD research from 2003, the median length of stay for families with children is two and a half years.<sup>40</sup> Further, while time limits and work requirements may help move families out of the voucher program, it is unclear whether such changes would increase families' incomes or lead to self-sufficiency. Research based on the 1996 welfare reform changes (P.L. 104-193) indicates that for many poor families, increases in work do not necessarily translate into greater total income, and most households need work supports (such as child care and transportation assistance) in order to make them successful in becoming financially self-sufficient.<sup>41</sup> Such supportive services are not currently a part of the voucher program, and would likely require additional funding. In fact, it is unclear how low-income families that are leaving the program now are meeting their housing costs. HUD conducted preliminary research looking at families with children who left the voucher program over a five-year period, and found that less than 1% of them had incomes sufficient to afford an apartment at the fair market rent in their community.<sup>42</sup>

Low-income housing advocates promote providing incentives for families to increase their work efforts and their incomes, rather than time limits and work requirements. For example, non-elderly, non-disabled families could be encouraged to find and increase work through expansions in the Family Self-Sufficiency program (FSS), which provides work supports for some tenants with vouchers and deposits participating tenants' increased rent payments (that result from increased earnings from work) into escrow accounts on their behalves. However, not every PHA

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work requirement policies. MTW is discussed later in this report.

<sup>37</sup> For more information on the community service/work requirement in public housing, see CRS Report RS21591, *Community Service Requirement for Residents of Public Housing*, by Maggie McCarty.

<sup>38</sup> For example, see Howard Husock, "The Housing Reform that Backfired," *The City Journal*, Summer 2004.

<sup>39</sup> RAND, *Consequences of Welfare Reform: A Research Synthesis*, July 2002.

<sup>40</sup> Jeffery Lubell, et al. Work Participation and Length of Stay in HUD-Assisted Housing, U.S. Department of Housing and Urban Development, Office of Policy Development and Research, *Cityscape: A Journal of Policy Development and Research*, vol. 6, no. 2, 2003.

<sup>41</sup> See CRS Report RL30797, *Trends in Welfare, Work, and the Economic Well-Being of Female-Headed Families with Children: 1987-2008*, by Thomas Gabe.

<sup>42</sup> Department of Housing and Urban Development, *Performance and Accountability Report, FY2004*, pp. 2-65.

runs an FSS program; as of 2008, 28,469 voucher program participants were enrolled in FSS programs.<sup>43</sup> The full effects of FSS are unclear, as it has not been implemented using as a demonstration or in such a way as to test its impact. HUD has produced a couple of descriptive profiles of FSS participants, which found higher income increases experienced by FSS program participants compared to non-FSS participants.<sup>44</sup>

## Inspections

Before a PHA can make subsidy payments for a unit selected by a tenant, the unit must first be inspected to ensure that it complies with the HUD-adopted Housing Quality Standards (HQS).<sup>45</sup> If the unit is approved, it must be reinspected at least annually. If the unit fails inspection, the PHA cannot make payments to the landlord until the unit is in compliance. These inspections are designed to protect tenants from living in substandard housing. However, the inspections themselves (or finding inspectors to conduct them) can add delays to the leasing process, which may result in landlords' reluctance to participate in the voucher program and families losing out on units in tight markets. Further, some HQS failures may be found for violations that a tenant might consider a "minor" violation (such as missing light-switch plates or a tear in the carpet that could be considered a tripping hazard), yet PHAs are still required to withhold payment. This may also contribute to landlords' reluctance to participate in the program.

The prevalence of substandard housing varies widely; for example, areas with a relatively new housing stock (particularly in the Southwest) may only need inspections every couple of years to ensure quality, whereas areas with a relatively old housing stock (such as the Northeast) may require more frequent inspections, perhaps even more than once a year, in order to ensure quality. Although there have been calls to change the inspection requirements, it has proven difficult to balance providing flexibility to PHAs to address the needs of specific communities with ensuring protection for tenants from substandard conditions.

## Portability

Section 8 vouchers are nationally portable, which means that families can take their vouchers and move from the jurisdiction of one PHA to the jurisdiction of another PHA. Once a family moves, the two PHAs come to an agreement on how to administer the voucher. The receiving PHA can "absorb" it, meaning the receiving PHA agrees to serve the family with one of its vouchers, freeing up the voucher for the originating PHA. Alternatively, the receiving PHA can also choose to "bill" the originating PHA for the voucher, meaning the receiving PHA will administer the voucher on behalf of the originating PHA, and will seek reimbursement from the originating PHA for any costs associated with the voucher. In a billing situation, the originating PHA will retain the voucher as a part of its stock, and if and when the family leaves the program, the originating PHA can reissue it.

There are advantages and disadvantages to both billing and absorbing. Receiving PHAs that bill only receive a partial (80%) administrative fee from the originating PHA, yet the administration can be complicated. Receiving PHAs that absorb vouchers have to serve the porting family before the next person on their own waiting list, a person who may have been on the waiting list for a

<sup>43</sup> Department of Housing and Urban Development, *Evaluation of the Family Self-Sufficiency Program: Prospective Study*, February 2011.

<sup>44</sup> Ibid.

<sup>45</sup> See 24 C.F.R. 982.401 for HQS.



long time already. Recognizing these problems, PHAs have the ability to limit portability. A PHA can require a family to live in its jurisdiction for up to one year upon initial receipt of a voucher and a PHA can deny a portability move if it will increase PHAs costs above what can be supported by federal appropriations.

Proposals have been offered to alter portability to make it administratively easier. They have ranged from limiting portability except between jurisdictions with preexisting agreements<sup>46</sup> to having a national pool of vouchers that could be used to smooth out the absorption process.<sup>47</sup> Proposals that limit portability result in limits to families' choices; proposals that involve national pools generally require additional funding.

## Mobility

Portability offers the possibility for families with vouchers to move from areas of high concentrations of poverty, poor schools, and little employment opportunity to areas with low concentrations of poverty, good schools, and more employment opportunity. Research looking into the effects of mobility on families has found generally positive effects, but not in all cases or to the extent that researchers and proponents had expected.<sup>48</sup> Advocates for low-income families have argued that the mobility potential of portability has not been fully reached. They argue for more funding for mobility counseling and performance standards that encourage mobility efforts.<sup>49</sup> Advocates for state or regional administration of the voucher program argue that moving away from PHA-level administration could help improve mobility.<sup>50</sup> (For more information, see CRS Report R42832, *Choice and Mobility in the Housing Choice Voucher Program: Review of Research Findings and Considerations for Policymakers*, by Maggie McCarty and Carmen Brick.)

## Funding Allocation

The cost of a voucher is equal to roughly the difference between the rent for a unit (capped by a maximum set by the PHA and called the payment standard) and the tenant's contribution toward the rent (generally, 30% of the tenant's income). The cost of a voucher fluctuates as a family's income and market rents increase or decrease. Prior to FY2003, HUD reimbursed PHAs for the actual cost of their vouchers, and each year, HUD would ask Congress for funding sufficient to cover what HUD anticipated it would take to fund PHAs' costs.

Due partly to changes in the rental market and partly to changes in the rules of the voucher program (such as increases in the payment standard), PHAs' actual costs began rising rapidly in 2002 and 2003.<sup>51</sup> This raised concerns for both the George W. Bush Administration and Congress about the cost of the program. Partly in response to these cost increases, the Bush Administration proposed potentially cost-saving changes in both the way that PHAs received funds and in the

<sup>46</sup> See Section 113 of H.R. 1999, 109<sup>th</sup> Congress.

<sup>47</sup> Statement of Richard Godfrey, Executive Director, Rhode Island Housing, Hearing before the Committee on House Financial Services Subcommittee on Housing and Community Opportunity, March 9, 2007.

<sup>48</sup> For a review of research findings on mobility in the voucher program, see Stefanie DeLuca, "Neighborhood Matters: Do housing vouchers work?," *Boston Review*, January/February 2008.

<sup>49</sup> Margery Austin Turner and Susan J. Popkin, "Why Housing Choice and Mobility Matter," Urban Institute, August 17, 2010, available at <http://www.urban.org/uploadedpdf/901374-why-choice.pdf>.

<sup>50</sup> Margery Turner and Bruce Katz, "Who Should Run the Housing Choice Voucher Program: A Reform Proposal," *Housing Policy Debate*, Vol. 12, Issue 2, 2001.

<sup>51</sup> See Government Accountability Office, *Policy Decisions and Market Factors Explain Changes in the Costs of the Section 8 Programs*, April 2006.

underlying factors that led to the cost growth, including the amount tenants were asked to contribute toward rent and the maximum payment standard.

Congress reacted by changing only the way that PHAs received their renewal funding, without enacting other program reforms. In FY2005, Congress directed HUD to fund PHAs based on the amount of funding they received in the previous year, rather than their costs. This new funding formula, which was continued in FY2006, was more predictable for PHAs, similar to formulas used for other discretionary social programs, and easier for HUD to administer. However, it also led to funding problems for some PHAs, whose actual costs were still driven by the difference between rents and incomes in their communities, while their funding was capped. As a result, some PHA groups called for either a change back to an actual cost funding formula or changes to the structure of the voucher program that would allow them to better control their costs. In the FY2007 funding law (P.L. 110-5), Congress reverted back to a funding formula based on actual costs and utilization. A similar formula has been adopted each year since. (For more information, see CRS Report RL33929, *The Section 8 Voucher Renewal Funding Formula: Changes in Appropriations Acts*, by Maggie McCarty.)

In recent years, as per voucher costs and the number of vouchers in use have risen, some Members of Congress have expressed concern about the rising cost of the Section 8 voucher program. These concerns have led to continued calls for program reforms to constrain future cost growth.<sup>52</sup> A 2012 GAO report examined recent cost growth in the voucher program and found that it was largely driven by market factors; during the recent economic recession, tenant incomes have declined significantly and rents have increased significantly.<sup>53</sup>

## Recent Reform Proposals

### Moving to Work Expansion

In recent years there have been calls to expand the Moving to Work (MTW) Demonstration. MTW was authorized by Section 204 of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (P.L. 104-134) in order to design and test ways to

- promote self-sufficiency among assisted families;
- achieve programmatic efficiency and reduce costs; and
- increase housing choice for low-income households.

Under Moving To Work, HUD can select up to 30 PHAs to participate in the demonstration and receive waivers of most rules that govern public housing and the Section 8 voucher program (those under the U.S. Housing Act of 1937 (P.L. 75-412, as amended)).<sup>54</sup> With HUD approval, MTW agencies can merge their Section 8 voucher, public housing capital and public housing operating funds, alter eligibility and rent policies, modify their funding agreements and reporting requirements with HUD, and make other changes. Rules outside of the U.S. Housing Act cannot be waived under MTW, such as labor requirements and fair housing rules, nor can rules

<sup>52</sup> For example, see House Committee On Financial Services, “Biggart: Subcommittee Will Evaluate Bill To Reform Section 8,” press release, June 2011; <http://financialservices.house.gov/News/DocumentSingle.aspx?DocumentID=247738>.

<sup>53</sup> U.S. Government Accountability Office (GAO), *Housing Choice Vouchers: Options Exist to Increase Program Efficiencies*, GAO-12-2003, March 19, 2012, <http://www.gao.gov/products/GAO-12-300>.

<sup>54</sup> Congress has since expanded the number of participating MTW agencies.



governing the demolition and disposition of public housing. Participating agencies must also agree to serve substantially the same number of people they were serving before the demonstration and they must agree to continue to serve low-income families.

Agencies participating in MTW have used the flexibility it provides differently. Some have made minor changes to their existing Section 8 voucher and public housing programs, such as limiting reporting requirements; others have implemented full funding fungibility between their public housing and voucher programs and significantly altered their eligibility and rent policies.<sup>55</sup> Some have adopted time limit and work requirement policies, similar to those enacted in the 1996 welfare reform law.

Several of the national PHA industry groups support an expansion of MTW. They argue that the flexibility provided under MTW would permit PHAs to more efficiently and effectively manage their limited federal funding and make programmatic changes tailored to their local communities.<sup>56</sup> Low income housing advocates, particularly the National Low Income Housing Coalition, have expressed opposition to an MTW expansion. Specifically, they are concerned that MTW agencies will choose to serve higher income families than they are permitted under the rules of the U.S. Housing Act and that the agencies will disconnect rent-setting policies from income with the result that tenants will pay increased rents.<sup>57</sup> While the initial intent of PHAs may not be to charge higher rent or serve higher-income families, there is concern that in a restricted funding environment, such policy changes will have to be made in order to balance budgets.

The existing MTW program, while called a demonstration, was not implemented in a way that would allow it to be rigorously evaluated. Therefore, there is not sufficient information about different reforms adopted by MTW agencies to evaluate their effectiveness. There is some information available about how PHAs have implemented the program (as noted earlier); however, it is unclear whether PHAs implementing a modified MTW program in an environment where funding is limited would make the same choices that earlier MTW agencies made. (For more information, see CRS Report R42562, *Moving to Work (MTW): Housing Assistance Demonstration Program*, by Maggie McCarty.)

Several bills were considered in the 110<sup>th</sup> and 111<sup>th</sup> Congresses to expand the MTW program, although none were enacted before the end of those Congresses. *The Moving to Work Charter Program Act* has been introduced in each of the past several Congresses, and was introduced again in the 112<sup>th</sup> Congress (S. 117). It proposed to expand and modify the MTW program, permitting the Secretary of HUD to enter into a new form of charter contract with up to 250 PHAs.

The Section 8 Voucher Reform Act, ordered reported by the House Financial Services Committee in the 111<sup>th</sup> Congress and introduced in the 112<sup>th</sup> Congress, included a provision that would have replaced the existing Moving to Work program with a new *Housing Innovation Program* (HIP). The HIP would have maintained several aspects of MTW, including the ability to blend public housing and voucher funding, but would make several major changes. HUD would have been required to designate up to 60 agencies to participate in HIP, with the option of adding another 20 under a modified version of the program. HUD would have been required to develop a selection

<sup>55</sup> For more information on MTW, see Housing Agency Responses to Federal Deregulation: An Assessment of HUD's "Moving to Work" Demonstration, Urban Institute, 2004.

<sup>56</sup> Public Housing Authorities Directors Association, "Housing industry groups hold Capitol Hill briefing on the Moving To Work Charter Act," *Advocate*, Vol. 21, No. 14, August 16, 2006.

<sup>57</sup> See National Low Income Housing Coalition, Three Public Housing Bills Introduced in Senate, Memo to Members: Vol 12, No. 10, March 9, 2007.

process, based on priorities established under the bill, and select a diverse group of agencies (including a limited number of lower-performing agencies, but not troubled agencies). HUD would also have been required to establish performance standards and evaluate, or contract for the evaluation of, HIP participating agencies with the goal of developing successful models that can be adopted by other agencies. Unlike MTW, HIP would have included limits to some policies pursued by participating agencies, including guidelines for time limit and employment condition policies and limits on rent policies that result in higher rent burdens for tenants.

Also in the 112<sup>th</sup> Congress, the House Financial Services Committee circulated a discussion draft of the *Moving to Work Improvement, Expansion, and Permanency Act of 2011*.<sup>58</sup> The discussion draft bill proposed to make the MTW program permanent and lift the cap on the number of participating agencies. It also proposed to modify the purposes of MTW to include promoting economic independence, flexibility and cost effectiveness, and housing choice. The draft bill included modifications to reporting requirements both for PHAs to HUD, and for HUD to Congress. It also included a mechanism to transition existing MTW agencies to the new model. The language from this draft bill was included in the draft Affordable Housing and Self Sufficiency Improvement Act (AHSSIA), discussed in the next section of this report.

## Voucher Reform Legislation

Since the early 2000s, Congress has considered reforms to the Housing Choice Voucher program each year.

From 2003 through the end of its second term, the George W. Bush Administration proposed either eliminating the Section 8 voucher program and replacing it with a new initiative, or substantially reforming the program. Bills to enact President Bush's reforms were introduced in Congress, although no further action was taken. Legislative proposals in the 107<sup>th</sup> and 108<sup>th</sup> Congresses envisioned fundamentally reworking the voucher program, with initiatives including transferring administrative responsibilities from PHAs to the states, implementing time limits and work requirements, and allowing PHAs to experiment with various rent-setting policies.

Bipartisan reform bills from the past couple of years have been narrower in scope than the earlier reform proposals. They have proposed changes to the rules governing the existing program, rather than fundamentally altering it. In 2006, a bipartisan voucher reform bill, the Section 8 Voucher Reform Act of 2006 (SEVRA) (H.R. 5443, 109<sup>th</sup> Congress) was approved by the House Financial Services Committee, but no further action was taken before the close of the 109<sup>th</sup> Congress. Similar, bipartisan reform legislation was proposed in the 110<sup>th</sup> Congress. The Section 8 Voucher Reform Act of 2007 (H.R. 1851, 110<sup>th</sup> Congress) passed the House and the Section 8 Voucher Reform Act of 2008 (S. 2684, 110<sup>th</sup>) was introduced in the Senate. The bills were similar but had several key differences. Reform legislation was not enacted before the end of the 110<sup>th</sup> Congress. A new version of SEVRA—the Section Eight Voucher Reform Act of 2009 (H.R. 3045)—was introduced in the 111<sup>th</sup> Congress and reported out of the House Financial Services Committee, but not enacted before the 111<sup>th</sup> Congress adjourned. Several Section 8 reform bills were again circulated, introduced, or considered in the 112<sup>th</sup> Congress. No reform legislation has been introduced in the 113<sup>th</sup> Congress.

The following section of the report summarizes reform efforts from the 112<sup>th</sup> Congresses.

<sup>58</sup> October 5, 2011, discussion draft, available at <http://www.ncsha.org/resource/moving-work-improvement-expansion-and-permanency-act-2011-draft-legislation>.

## 112<sup>th</sup> Congress

### *SEVRA*

A version of SEVRA very similar to the one approved by the House Financial Services Committee in the 111<sup>th</sup> Congress was introduced by Representative Waters in the 112<sup>th</sup> Congress. The bill proposed to simplify the income calculation process by streamlining deductions, permitting families on fixed incomes to self-certify their income for up to three years, and permitting PHAs to use tenants' prior-year income to calculate current year income. It would have modified the inspection process to permit PHAs to inspect units every other year, rather than every year. It proposed other changes, including requiring PHAs to absorb portability vouchers, allowing PHAs to establish alternative rent structures for non-elderly, non-disabled tenants (with limits on how much families could be required to pay), and making it possible for PHAs to use their voucher funding to provide downpayment assistance for first time homebuyers (without requiring direct appropriations). The bill would have established a new renewal funding allocation formula for PHAs, similar to the formula enacted in appropriations laws since FY2007, but including provisions for reallocating unused funds and permitting PHAs to borrow against future appropriations. It would have directed the Secretary to develop a new administrative fee formula as well as a new performance rating system (both within guidelines set in the bill). The major difference between the Section 8 Voucher Reform Act of 2011 (H.R. 1209) and the version from the prior Congress is that the most recent version did not contain a controversial firearms provisions that had been added during committee consideration. SEVRA was not considered before the end of the 112<sup>th</sup> Congress.

### *SESA and AHSSIA*

On June 23, 2011, the Insurance, Housing and Community Opportunity Subcommittee of the House Financial Services Committee held a hearing entitled "Legislative Proposals to Reform the Housing Choice Voucher Program." At that hearing, witnesses discussed a draft bill that has been circulated by the subcommittee, the Section Eight Savings Act of 2011 (SESA).<sup>59</sup> On October 13, 2011, the subcommittee held another hearing entitled "The Section 8 Savings Act of 2011: Proposals to Promote Economic Independence for Assisted Families," where a revised draft version of SESA was circulated.<sup>60</sup> The two draft versions of SESA both included many provisions from SEVRA, but also made changes; most notably, neither version of SESA included an expansion of MTW.

With the start of the second session of the 112<sup>th</sup> Congress, the House Financial Services Committee circulated a new draft reform bill.<sup>61</sup> It contained many provisions from SEVRA and SESA, but with several changes, including a new name, which reflected the fact that all of these bills included provisions beyond the Section 8 voucher program: the Affordable Housing and Self Sufficiency Improvement Act of 2012 (AHSSIA).

Like SEVRA, AHSSIA contained provisions that address inspection of units under the Section 8 voucher program. The primary difference is that SEVRA would have permitted PHAs to use rent payments withheld from property owners whose units had failed inspections to make repairs to the unit; AHSSIA would not permit the use of withheld rent to make repairs.

<sup>59</sup> The draft legislation can be found at <http://financialservices.house.gov/Calendar/EventSingle.aspx?EventID=24718>.

<sup>60</sup> A copy is available at <http://www.clpha.org/uploads/SESA-DiscussionDraft10-05-11.pdf>.

<sup>61</sup> A copy is available at <http://financialservices.house.gov/UploadedFiles/BILLS-112hr-PIH-AHAdd.pdf>.

Both AHISSA and SEVRA proposed to change the way income eligibility and tenant rent are defined and calculated for families participating in assisted housing programs. AHISSA, unlike SEVRA, would have increased the minimum rent threshold, subjected it to future inflation increases, and required PHAs to use the new minimum rents.

Like SEVRA, AHSSIA proposed an expansion of MTW. AHSSIA would have changed MTW from a demonstration to a HUD program, lifted the existing cap on the number of participants, required HUD to evaluate participating PHAs' progress in achieving the purposes of the program, and required HUD to evaluate the program to identify replicable program models.

AHSSIA also contained several new provisions that were not included in SEVRA, including a title to modify the Family Self Sufficiency (FSS) program. Among other changes to FSS, the draft legislation proposed to combine the public housing and Section 8 voucher versions of the FSS program into one program and allow for it to be available to Section 8 assisted multifamily housing properties. It would have made participation in FSS mandatory for large PHAs (subject to the availability of funding), created a new formula for distributing funding, and prohibited PHAs from terminating tenancy for families because they fail to successfully complete the program. Under the same title of the draft legislation, AHSSIA would have required HUD to conduct a new rigorous demonstration to identify the most effective methods for promoting economic security among non-elderly, non-disabled assisted tenants.

Further, AHSSIA included an authorization for the Rental Assistance Demonstration (RAD) to convert certain assisted housing properties to a new form of Section 8 rental assistance. RAD was initially authorized in the FY2012 appropriations legislation. AHSSIA also contained a new provision to allow PHAs to have additional funding flexibility in their public housing programs.

The subcommittee on Insurance, Housing, and Community Opportunity marked up and approved a draft version of AHSSIA in early February 2012, but the bill was not formally introduced, nor was it considered by the full committee, before the end of the 112<sup>th</sup> Congress.

### *Appropriations Proposals*

The President's FY2014 budget request to Congress, like his FY2012 and FY2013 requests, included proposals for several statutory changes that would affect HUD's rental assistance programs, including the Section 8 Housing Choice Voucher program. Specifically, HUD asked for language that would

- broaden the definition of "extremely low-income" to reflect the higher of 30% of area median income or the poverty thresholds published by the Department of Health and Human Services (HHS);
- revise the deductions from income used to calculate rent for elderly or disabled families by increasing the standard deduction and increasing the threshold for deducting medical or related costs;
- cap the amount of utility allowance a family can receive based on the size of the family, rather than the size of the unit leased by the family;
- alter inspection requirements; and
- permit HUD to run a demonstration to test different models for setting rent in rental assistance programs.

Similar provisions were included in Section 8 voucher reform legislation considered in the 111<sup>th</sup> Congress and included in SEVRA, SESA and, most recently, AHSSIA. HUD's FY2014 budget

estimated that these changes would result in an overall reduction in the cost of HUD rental assistance programs.

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